



PERGAMON

Telecommunications Policy 24 (2000) 175–178

TELECOMMUNICATIONS
POLICY

www.elsevier.com/locate/telpol

Book reviews

World Telecommunications Economics: J. J. Wheatley; The Institution of Electrical Engineers, IEE Telecommunications Series no. 41, Institution of Electrical Engineers, 1999, 512 pages, ISBN 0-85296-936-8

One of the difficulties faced by countries that have begun the process of introducing competition into their telecommunication markets has been to obtain the necessary skilled human resources for an independent regulatory body. New telecommunication service providers have faced similar difficulties. Often these countries have found that the only expertise in telecommunication economics and policy is with the former monopoly. As a result, many regulatory bodies, or new market entrants, have opted to hire young recruits and train on-the-job. Thus, books such as *World Telecommunications Economics* that provide an introduction to the economics of the telecommunications industry, as well as public policy issues in telecommunications, are to be welcomed. Such a book is long overdue. To the reviewer's knowledge the only other book with a similar coverage was Littlechild's 1979 *Elements of Telecommunication Economics*. Since then, not only have there been significant changes in the telecommunications industry and public policy, but the teaching of telecommunication policy and economics as a distinct discipline has grown significantly especially in Europe. The author, Dr. Jeffrey Wheatley, undertook a very ambitious task with this book in trying to cover both economics and regulatory policy issues. As a former Chief Economist at British Telecom he is eminently suited to this task. It is a long book (463 pages of text), written very much in the style of a university text. As befits such a book it has sacrificed detail in order to try to provide a comprehensive overview.

Most of the first-half of this book is devoted to economic issues. The second-half of the book examines the major issues facing regulators, performance measures, econometric modelling, and strategic issues for operators. There is a short chapter examining developing country issues. The book's strength is in the overview of the economics of telecommunications. It is written for a non-economist and explains succinctly the main economic concepts and principles. It then applies these to the telecommunication service sector. The chapters on the structure of telecommunication demand, market structure and dynamics, cost structures in telecommunications operations, the welfare economics of telecommunications, and telecommunication service prices provide a useful overview of the primary issues in these areas.

One chapter in the book is devoted to performance measures. The chapter on performance provides useful material on economic performance measures. More emphasis could have been given in the book to the type of measures that are actually being used by some regulators. For example, for quality of service there is presently a range of measures used to compare the quality of public switched telecommunication network operators. Increasingly, as well, the performance of mobile operators is being measured. International benchmarks are important. Reviewing the actual performance measures used is important in that some of the economic indicators, while theoretically important, may be difficult to measure because of data availability. An example is

total factor productivity. Regulators need to be able to gauge their effectiveness in creating efficient markets and sustainable competition. Domestic measures are often insufficient for this since comparing the performance of an incumbent with a significant market share against a new entrant with a very small market share is not very useful. Thus, the development and use of international benchmarks is important to judge efficiency performance and relative rates of change. It would have been useful to have highlighted such international benchmarks in the text.

The book could have benefited from greater coverage in several areas. For example, some of the key issues facing regulators today should have been highlighted to a greater extent. Such issues include convergence, which is mentioned, but not examined in terms of its policy and regulatory implications, or its implications for industrial structures. Similarly, the development of electronic commerce, which depends to a large extent on access to broadband infrastructures, is not sufficiently emphasised. Developments in the Internet and their impact on the fixed telecommunication network and service provision are leading to a number of issues of regulatory concern which could have been given greater emphasis. Some of these lapses may be unavoidable given the fast pace of change occurring in telecommunication services. On the other hand, the European Union's Green Paper on Convergence appeared at the end of 1997. The Office of Telecommunications (OFTEL) had also put forward its ideas on the regulatory treatment of convergence by then. Also little attention is paid to the development of mobile competition and services. The trend that has led mobile penetration rates to surpass those of fixed telephony in a number of OECD countries was evident several years ago. The coverage of international aspects of liberalisation could have been extended by placing greater emphasis on the role of trade negotiations in opening markets to competition. In this context, also, more attention should have been given to the World Trade Organization's agreement on basic telecommunications and the Reference Paper that outlined some basic regulatory principles adopted by its signatories. Furthermore, the role of the European Commission, the 1987 Green Paper and the subsequent process of liberalisation in Europe is downplayed.

The book is quite dated in places in its use of data, despite its 1999 publication date. For example Chapter 3, which examines the world telecommunication economy, refers to data from 1991 for equipment trade and 1992 for telecommunication services and investment data.

Despite some of the shortcomings noted above, the book provides an excellent introductory course in telecommunication economics and policy. It can also be recommended for the neophyte regulator, or public policy advocate with a new entrant, trying to rapidly grasp the intricacies of economics and regulation and apply them to the telecommunication sector.

D. Ypsilanti
OECD, 2 Rue Andre Pascal, 75775
Paris Cedex 16, France
E-mail address: dimitri.ypsilanti@oecd.org